

Procurement Process for Transit Public-Private Partnerships

Pamela Bailey-Campbell
Jacobs Engineering

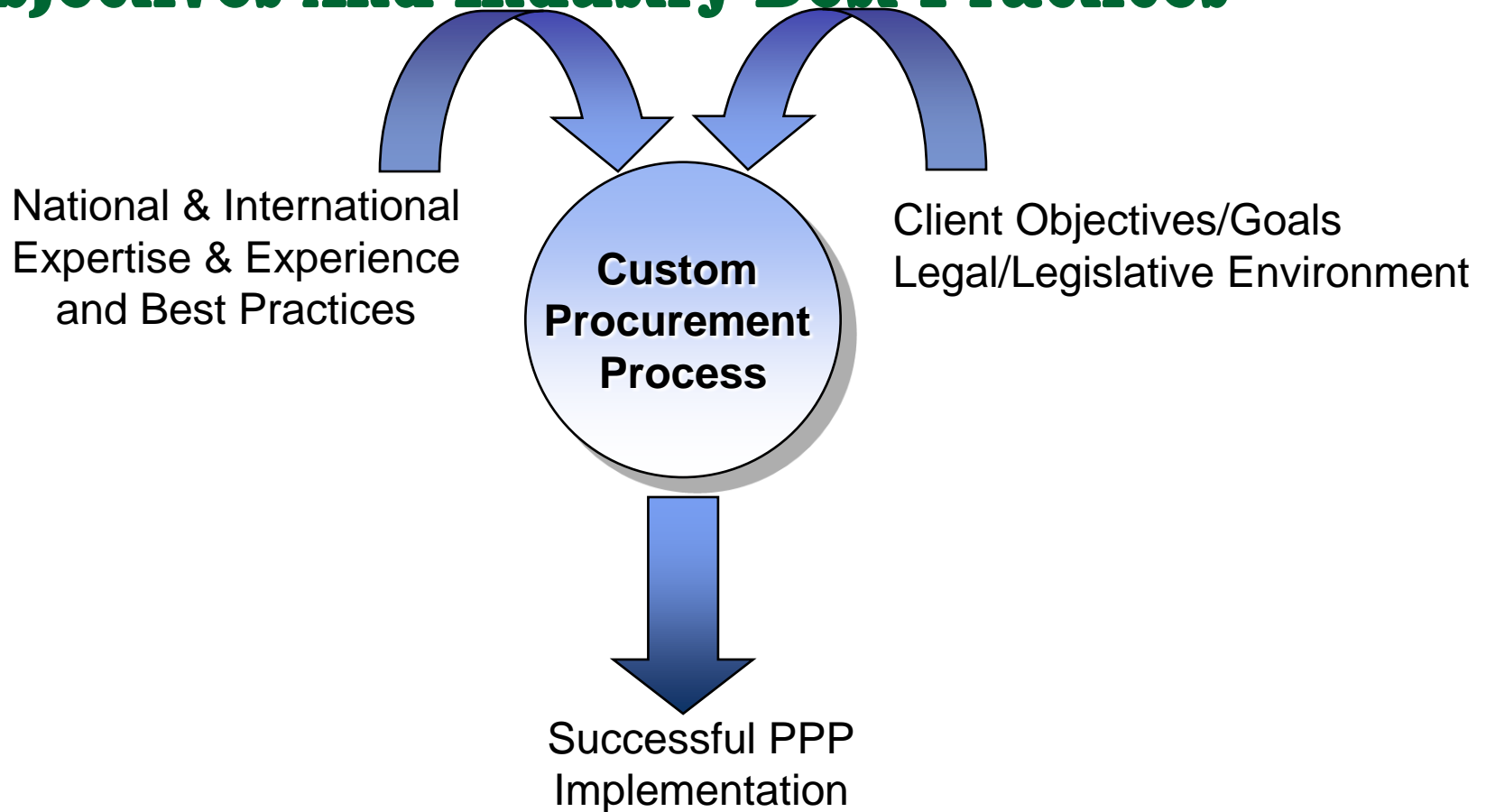
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Agenda

BEGINNING THE PROCESS

- PROCUREMENT ELEMENTS
- EXAMPLES

Successful Outcome Starts with Client Objectives And Industry Best Practices



Pre-procurement Process Framework

Examine Full Range of Options

Analyze Legal/Legislative Environment

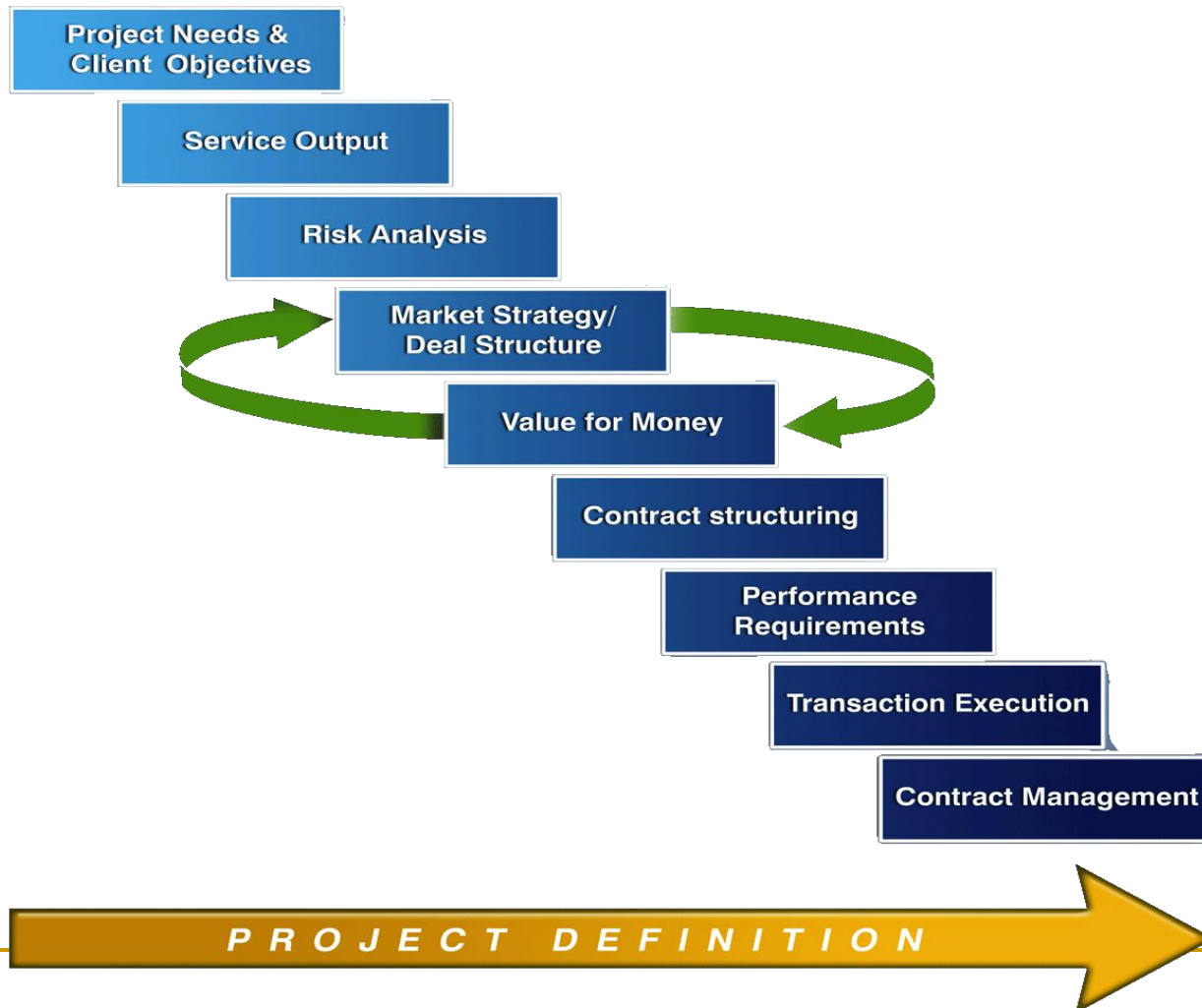
Develop PPP Guidelines

Project Selection Process

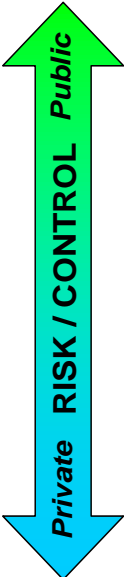
Business Case Development/Feasibility Assessment

Determine Organizational Approach & Oversight Strategy

PPP Project Development Process



Delivery Option Assessment



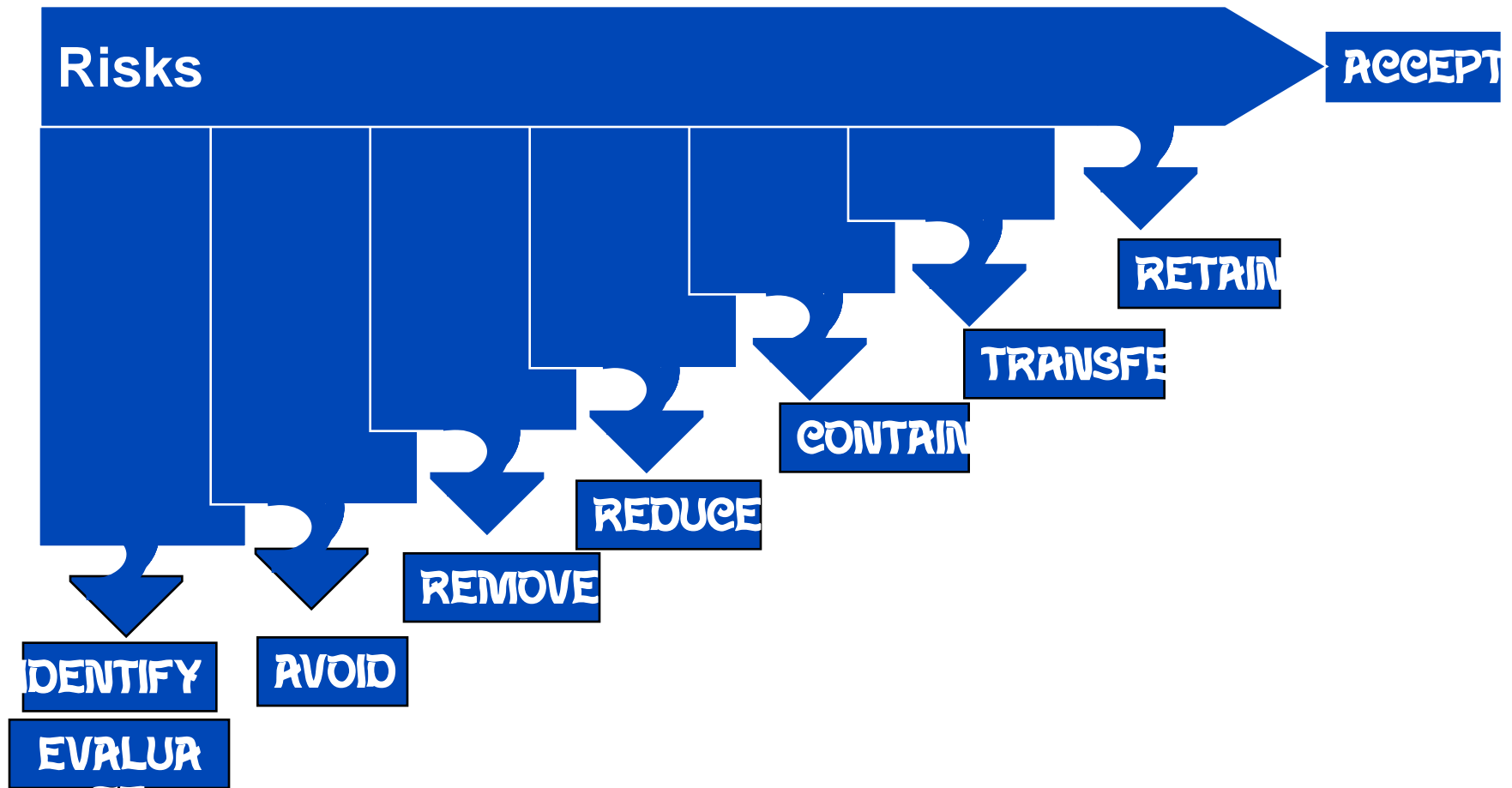
Development	Delivery	Operations	Maintenance	Finance	
Public	D-B-B	Public	Public	Public	Design-Bid-Build
Public	D-B-B	Private	Public	Public	Private Contract Fee Services
Public	D-B-B	Private	Private	Public	
Public	D-B	Public	Public	Public	Design-Build
Public	D-B	Private	Private	Public	Build-Operate-Transfer (DBOM)
Public/Private	D-B	Private	Private	Public/Private	Long-Term Lease Agreement / DBFO
Private	D-B	Private	Private	Private	Build-Own-Operate

PPP's

Procurement Option Assessment

Project Type	Brownfield ?	OR	Greenfield ?
Contract Type	Long-Term Concession	OR	Pre-development
Project Revenue	Revenue Positive?	OR	Revenue Negative ?
Bid Basis	Hard Bid Up Front Payment?	OR	Availability Payment? Minimize Agency Subsidy?

Risk Management is Key to Creating Value for Money...



... this requires a deep knowledge of industry practices and the PPP market

Agenda

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PROCUREMENT ELEMENTS

- EXAMPLES

U.S. Concession Agreement Elements

- **Committed Revenue Source**
 - **Direct Revenue or Availability**
- **Long-term Lease Agreement (~35-99 years)**
 - **Convey “tax ownership” & depreciation benefits**
 - **Longer length in U.S to finance expensive projects**
- **Public Sector Retains Asset Ownership & Oversight**
- **Typically Equity Investment Plus Debt Financing or Taxable Bonds**
 - **PABs and TIFIA becoming more important**
- **Transfer of Construction & Operating Risk**
- **Availability Payment Structure**
 - **Most relevant to transit projects**
 - **More easily financed in turbulent markets**

Process Elements



Request for Information (Optional)

Request for Qualifications

RFP Evaluation Criteria

Performance, O&M, Handback Criteria

Terms and Conditions

Request for Proposal

Request for Information

■ Primary Objectives

- **Optional Tool**
- **Useful for gathering feedback on procurement structure**
- **Useful for assessing industry interest**
- **Best if considered pre-procurement**
- **Informal interviews beneficial**

■ RFI Contents

- **Flexible depending on purpose**
 - *Preliminary concepts*
 - *Proposed process and schedule*
 - *Potential project/scope*

■ Submission

- **General experience**
- **Suggestions on process**
- **High level feedback on feasibility and solutions**

Request for Qualifications

■ Primary Objectives

- Assess qualifications
- Develop short-list of firms with the best financial and technical capability to deliver project
- Industry feedback on proposed process

■ RFQ Contents

- Project scope and schedule
- Procurement process
- Evaluation criteria

■ Submittal

- Demonstrated experience on similar projects
- Financial capacity
- Comments on process
- Proposed approach (optional)

Request for Proposals

■ Primary Objectives

- ❑ Clearly articulate agency goals and project scope
- ❑ Fully transparent and competitive process
- ❑ Select based on “best value” the optimal technical and financial solution
- ❑ Maximize private sector innovation

■ Components

- ❑ Instructions to proposers
- ❑ Performance criteria for construction
- ❑ Operations and maintenance criteria
- ❑ Handback criteria
- ❑ Agreement terms & conditions

Request for Proposals

- Submittal
 - Technical approach
 - Finance plan
 - Operations and maintenance plan
 - Pricing
 - Required financial commitments

Performance Criteria

- If Long-term Concession – Next Step from Design-Build
 - Potential Elements
 - **Technical construction criteria**
 - **Operations criteria**
 - **Maintenance criteria**
 - **Handback criteria**
 - Performance-based
 - Objective determinations
-

Concession Agreement Terms & Conditions

- **Scope, Duration of Concession**
- **Financing Terms & Debt Structure**
- **Risk Allocation – Completion Time/Cost**
- **Risk Allocation – Operation Issues/Maintenance**
- **Availability Payment Criteria**
- **Rate of Return (if revenue component)**
- **Agency-retained Control**

Concession Agreement Terms & Conditions

- **Appendices for Performance, O&M, Handback Requirements**
 - **Competing Facilities**
 - **Delay Events And Force Majeure**
 - **Environmental Liability**
 - **State Property Tax**
 - **Remedies/Damages For Concessionaire Default**
 - **Adverse Actions (Agency, Third Parties)**
 - **Insurance/Asset Protection**
 - **Delegable And Non-delegable Governmental Powers**
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EXAMPLES

Sample Pre-Development PPP Solicited Proposal Process

Decision to Pursue
PPP Procurement
Process

Initial
Screening
Process

Decision on
Procurement
Process

Preparation
Of
Procurement
Documents

Board Approval of
Solicitation

Agency Solicits
Proposals

Panel Applies
Evaluation
Criteria

Director
Accepts
Recommendations

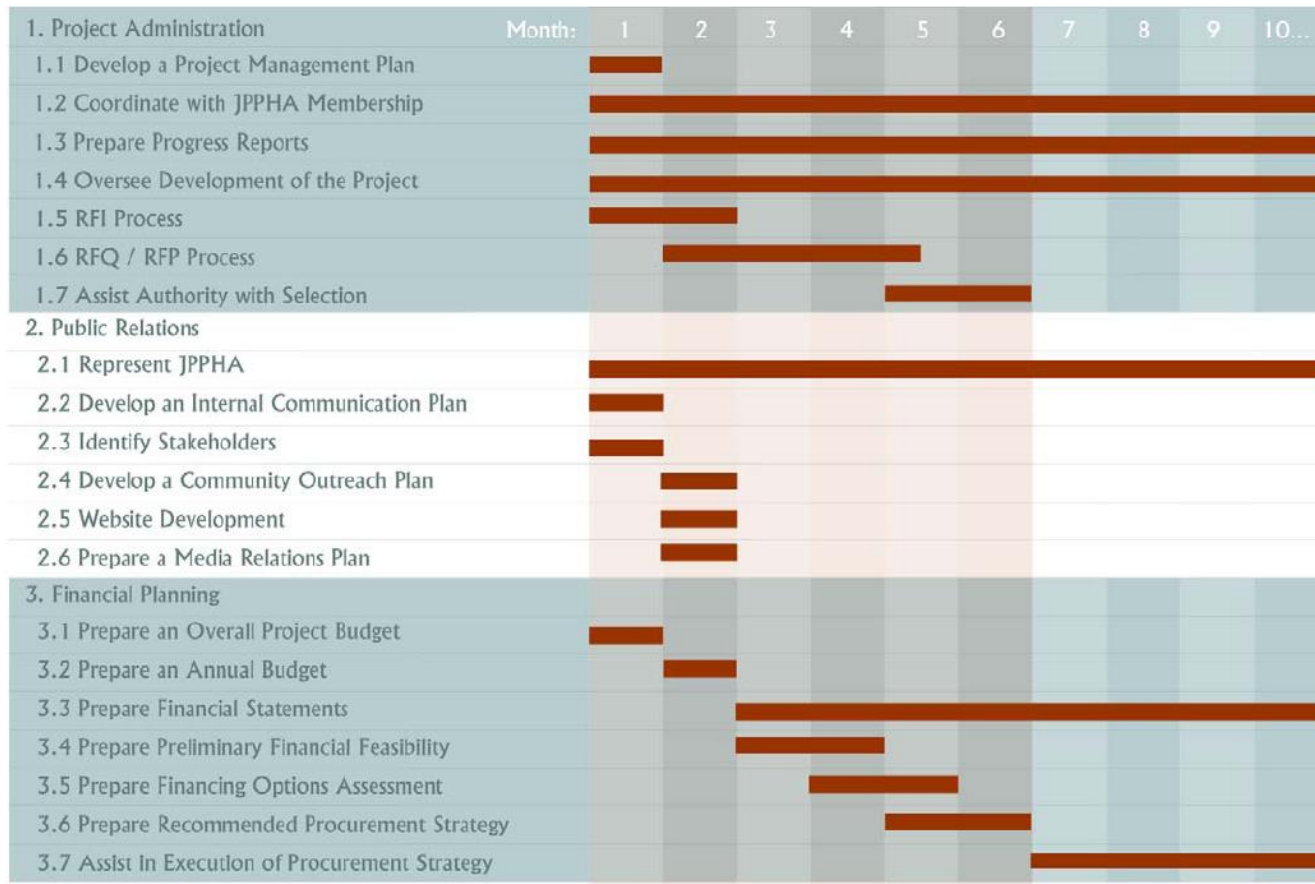
Board
Approves
For
Negotiation

Staff
Negotiates
Agreement

Board
Approves
Agreement

Enters
Pre-
Development
Stage

Start-up Project Pre-development Approach



Denver Fastracks PPP Procurement

- Best Example Of Transit Full Concession Procurement In The U.S. (Penta-P) – Availability Payments
 - Industry information sessions
 - RFQ to select short-list
 - Short-list industry review of RFP
 - RFP documents
 - *Instructions to Proposers*
 - *Concession Agreement*
 - *Reference Documents*
 - Final proposals with fixed price and committed financing
- Cal Marsella Will Provide More Information